



DEPARTMENT OF STATE INSTRUCTION

987
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FOR RM/R USE ONLY

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ORIGIN:

NO.:

A-95, February 13, 1961

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SUBJECT: Proposed Supplement to November 5, 1960 Agreement with GOI

TO: American Embassy DJAKARTA

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1. You are authorized to open negotiations with the Government of Indonesia on the supplementary program outlined herein for the supply of 30,000 MT of rice under Title I, PL 480, having a market value of \$3.7 million (including ocean transportation costs of \$600,000 to be financed by USDA on the portion of the commodities required to be carried on U. S. flag vessels). In conformity with Executive Order 10460 it is anticipated that the Ambassador will direct negotiations, acting with the advice and participation of representatives of other agencies concerned, including the Director of USOM and the Agricultural Attache. If serious problems arise upon initial review or during the course of negotiations, you should postpone or suspend negotiations and communicate with the Department before proceeding further.

2. To facilitate Washington processes, the negotiating subjects which are more or less standard in all Title I negotiations have been combined in "Instructions (Part II) for Negotiating Agreements under Title I, Public Law 480," a copy of which is attached. Part II is to be considered and handled as an integral part of this instruction, except as modified by this instruction

3. The commodities included in the proposed supplementary program are as follows:

| Commodity | Approximate Quantity | Export Market Value (million) | CCC Cost |
|----------------------------|----------------------|-------------------------------|----------|
| Rice | 30,000 M.T. | \$ 3.1 | \$5.8 |
| Ocean transportation(est.) | | .6 | .6 |
| Total | | \$3.7 | \$6.4 |

This rice supplement is offered in response to the GOI request

for rice

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OR:CSD:GFHazar
itm:2/10/61

APPROVED BY:

E - Mr. Martin

CLEARANCES: CSD:HMGabbert

CU:INelson

L/E:REBilder

OR:SEJacques

SEA:FWile

L/T:JDBradford

ED:WCSchmeisser

SPA:FJarvis

Interagency Staff Committee

FEB 13 1961 PM

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for rice to supplement domestic production and imported supplies to meet requirements which cannot be supplied adequately from alternative sources without imposing severe strain on foreign exchange resources and tightening domestic rationing.

4. Usual Marketing Requirements: As a condition to the sale of 30,000 MT of U. S. rice under the proposed supplemental agreement, agreement should be reached with the GOI that it will purchase from free world sources in calendar 1961 not less than 650,000 metric tons not including PL 480 rice from the U. S. Should there be an Indonesian request for PL 480 rice later in calendar 1961, Indonesian rice imports and purchase commitments would be reviewed at that time and adjustments of the commercial purchase requirements made if necessary.

5. Deposits of Indonesian rupiah: No change from instructions in paragraph 5 of A-41 of October 14, 1960. The exchange of notes on this subject accompanying the November 5, 1960 Agreement will remain applicable to this supplement.

6. Rupiah Uses: You should attempt to obtain agreement on the same division of sales proceeds as obtained in the November 5, 1960 Agreement. You will note that the convertibility for Section 104(a) is raised to U. S. \$394,000, representing two percent of the original agreement plus this supplement. It is suggested that paragraph 7 of A-41 be reviewed as part of preparation for negotiation.

7. Signing Procedure: If the proposed sales agreement (Enclosure #1) is acceptable to the GOI the Embassy should cable for authorization to sign the sales agreement, giving the proposed date and hour of the scheduled signing. At least 48 hours advance notice is needed. As soon as the agreement is signed, you should cable the Department priority, and airtouch copies in accordance with item 14 of Part II of the Negotiating Instruction (Enclosure #2).

RUSK

Enclosures: *att.*

1. Proposed sales agreement.
2. Part II of the Negotiating Instruction.

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No. A-95, DJAKARTA

PAGE Enclosure #1

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Excellency:

I have the honor to refer to the Agricultural Commodities Agreement entered into by our two Governments on November 5, 1960 and to the accompanying exchange of notes, and, in response to the request of the Government of the Republic of Indonesia, to propose that this Agreement be supplemented as follows:

1. To provide for additional financing by the Government of the United States of America of the following commodity and ocean transportation:

| <u>Commodity</u> | <u>Export Market Value</u> |
|-----------------------------|----------------------------|
| Rice | \$ 3,100,000 |
| Ocean transportation (Est.) | <u>600,000</u> |
| Total | \$ 3,700,000 |

2. To provide that Indonesian rupiah accruing to the Government of the United States of America as a consequence of sales made pursuant to this supplementary Agreement will be used by the Government of the United States of America as follows:

(a) For loans to be made by the Export-Import Bank of Washington under subsection 104(e) of the Agricultural Trade Development and Assistance Act, as amended, (hereinafter referred to as the Act) and for administrative expenses of the Export-Import Bank of Washington in the Republic of Indonesia incident thereto, the Indonesian rupiah equivalent of \$185,000. This increases the total amount indicated in paragraph 1 of Article II of the Agreement to the Indonesian rupiah equivalent of \$985,000.

(b) For a loan to the Government of the Republic of Indonesia under subsection 104(g) of the Act, the Indonesian rupiah equivalent of \$1,387,500. This increases the total amount indicated in paragraph 2 of Article II of the Agreement to the Indonesian rupiah equivalent of \$7,387,500.

(c) For a grant to the Government of the Republic of Indonesia under subsection 104(e) of the Act, the Indonesian rupiah equivalent of \$1,387,500. This increases the total amount indicated in paragraph 3 of Article II to the Indonesian rupiah equivalent of \$7,387,500.

(d) For payment of United States expenditures in the Republic of Indonesia under subsections (a), (b), (f), and (h) through (r) of Section 104 of the Act, or under any of such subsections and for other mutually agreed uses under Section 104 of the Act, the Indonesian rupiah equivalent of \$740,000. This increases the total amount indicated in paragraph 4 of Article II of the Agreement to the Indonesian rupiah equivalent of \$3,940,000.

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It is understood that in the event the total of Indonesian rupiah accruing to the Government of the United States of America as a consequence of sales made pursuant to the Agreement and this supplement is less than the Indonesian rupiah equivalent of \$19,700,000, the amount available for expenditures under subsection 104(g) loans and subsection 104(e) grants to the Government of the Republic of Indonesia will be reduced by an equivalent amount and proportionately between 104(g) loans and 104(e) grants; to the extent that the total exceeds the rupiah equivalent of \$19,700,000, 20 percent of the excess will be available for the use of the Government of United States of America, 75 percent for loans and grants to Government of the Republic of Indonesia under subsections 104(g) and 104(e), and 5 percent for loans under subsection 104(e).

3. In order that the delivery of rice under this supplementary Agreement not unduly disrupt world prices of agricultural commodities, or impair trade relations among friendly nations, the Government of the Republic of Indonesia shall import during United States calendar year 1961 with its own foreign exchange resources 650,000 metric tons of rice from free world sources. This quantity shall be purchased in addition to those quantities to be obtained pursuant to this supplementary agreement. Prior to signing any supplementary agreements to be entered into between our two Governments under the Act involving delivery of rice during United States calendar 1961 the figure on commercial purchases will be re-examined on the basis of the Indonesia supply position and other factors at that time.

4. It is further understood that in the notes of November 5, 1960, relating to the conversion of the Indonesian rupiah into other currencies "\$320,000" is deleted and "\$394,000" is substituted therefor.

5. Application for purchase authorizations will be made within 90 calendar days of the effective date of this supplementary Agreement.

6. Except as otherwise provided herein, the pertinent provisions of the Agreement of November 5, 1960 and the accompanying exchanges of notes shall apply to this supplementary Agreement.

I have the honor to propose that this note and Your Excellency's reply concurring therein shall constitute an Agreement between our two Governments on this matter to enter into force on the date of Your Excellency's note in reply.

Accept, Excellency, the renewed assurances of my highest consideration.

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OUTGOING TELEGRAM Department of State

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Classification

1961 FEB 24 AM 10 3

10941

Origin

SENT TO: Amembassy, DJAKARTA / 3 /

Info

Embtel 2409

Instructions pouched A-95, February 13.

title I agreement

Rusk
(CAB)

RUSK

611.9841/2-2161

CS/A

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| Rev. <input type="checkbox"/> |
| Ext. <input type="checkbox"/> |

Drafted by: *EA*
FE:SPA:EJThrashe:js 2-23-61

Telegraphic transmission and
classification approved by: *EA* FE:SPA -- Francis G. Jarvis

Clearance: Agri. - Mr. Phillips *EA*
CSD - Mr. Hazard (subs) *EA*

EA S/S-CR

FEB 24 1961 AM

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By *GP* NARA Date *8/4/00*

2-23-61

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Department of State

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FROM: Djakarta
TO: Secretary of State
NO: 2409, February 21, 4 p.m.
DEPTEL 1151.
In view DEPTEL 1269 inquiring when may expect negotiating instructions supplemental 30,000 tons rice.
JONES
MLJ

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Classification
Control: 12890
Rec'd: February 21, 1961
10:32 a.m.

611.9841/2-2161

DEPARTMENT OF STATE

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3:27 PM

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FROM: DJAKARTA

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TO: Secretary of State

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NO: 2444, FEBRUARY 24, 1 P.M.

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BCEA

DEPARTMENT TELEGRAM 986.

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TRSY

DEPARTMENT FOREIGN AFFAIRS OFFICIALS ENQUIRING IF POSSIBLE
GIVE APPROXIMATION BALANCE RICE AVAILABLE INDONESIA UNDER
PL 480 CY 1961 AS WELL AS ESTIMATION DELIVERY DATES UNITED
STATES PORTS. OFFICIALS STATE INDONESIA URGENTLY NEEDS
ADDITIONAL RICE (ADDITIONAL SUPPLEMENTAL 30,000 TONS,
DEPARTMENT TELEGRAM 1151, AND RICE AVAILABLE FOR EXPORT
FROM ALL SOURCES).

RM/R

DELIVERY DATES NECESSARY IN PLANNING CY 1961 IMPORTS AND
DISTRIBUTION. GOI APPREHENSIVE THAT RICE DETERMINATIONS
ACCORDING REFERENCE TELEGRAM "AFTER AUGUST 1" MAY BE TOO
LATE TO MEET THEIR CY 1961 RICE REQUIREMENTS AS INDICATED
BY TIME CONSUMED PAST NEGOTIATIONS PL480 AGREEMENTS.
ALTERNATELY, SUGGEST FURTHER RICE SUPPLEMENT NOVEMBER 5,
1960 AGREEMENT UTILIZING AUTHORITY CURRENTLY AVAILABLE.

JONES

MB

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Control: 8

Rec'd: February 28, 1961
11:56 p.m.

FE

FROM: Djakarta

Info

SS

TO: Secretary of State

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NO: 2480, February 28, 5 p.m.

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CIA

GOI accepts draft note as forwarded reference airgram.
Request authorization exchange notes March 2, at noon,
Djakarta time.

NSA

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SENT TO: Amembassy DJAKARTA - PRIORITY 1345

Info:

Your 2480

611.9841/2-2861

You authorized exchange notes as requested. Notify Department
priority when signed.

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| REC/R |
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| Rev. <input type="checkbox"/> |
| Out. <input type="checkbox"/> |

Drafted by:

OR:GSD:GFH:amd:sv:3/1/61

Telegraphic transmission and
classification approved

F - Edwin R. Martin

Clearest:

FAS:RRoberts *HR*
SPA:EThrasher *HR*

CSD:HM:labbert
OR:SE:Jacques *SM*

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